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C O N F I D E N T I A L JERUSALEM 001764

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STATE PASS USTR, FOR NEA/IPA AND EEB, NSC FOR SHAPIRO/KUMAR

E.O. 12958: DECL: 10/02/2019

TAGS: [ECON](#) [ETRD](#) [PREL](#) [KWBG](#) [WTRO](#) [KPAL](#) [IS](#)

SUBJECT: PA PRESSES ON WTO OBSERVER STATUS, BUT OPENS THE
DOOR FOR SHORT-TERM COMPROMISE

REF: A. JERUSALEM 1607

[B](#). GENEVA 814 AND PREVIOUS

[C](#). TEL AVIV 2166

[D](#). STATE 99831

Classified By: Consul General Daniel Rubinstein, Reasons 1.4 (b) and (d)
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[1](#)1. (C) Summary: PA officials claim to have broad support for their bid for WTO observer status from other WTO delegations, while acknowledging USG concerns. PM Fayyad told the Consul General October 1 that he will not put the U.S. in a position where it must vote no on a PA request. He and his advisors, however, believe the PA has a legitimate case for full observer status, and that such status is key to PA institution building. PA officials provided a written response to USG concerns, as conveyed in Ramallah and Geneva.

Post will continue to work to secure the PA's agreement to seek only ad hoc observer status at the Ministerial (as they had in 2005), while the USG continues to review the PA request for full observer status. End summary.

PA Positive After Geneva,
But Understands the USG Not On Board

2.(C) According to Saad al-Khatib, Advisor to the Minister of National Economy, the PA received assurances of support in Geneva from the EU, Canada, Australia, India, Pakistan, China, the African group, the ASEAN group, and the Latin American group. Al-Khatib acknowledged that the PA has heard clearly, in both Geneva and Ramallah, that the USG is not in a position to support full observer status at this time. Al-Khatib provided written responses to the legal concerns expressed to the PA by the USG regarding the PA's qualification for observer status. (These documents have been emailed to NEA/IPA.) Al-Khatib expressed some surprise that the USG was "renewing these old arguments" and provided a copy of a 2005 letter to ConGen Jerusalem responding to similar concerns. He claimed that USG officials, following the PA's participation in the 2005 Ministerial, accepted that the PA was eligible under WTO rules and would support a bid for formal observer status. However, he said, Hamas' 2006 election victory shortly thereafter derailed the follow-through. "Why have you gone backwards?" he asked.

PA Argues Paris Protocol Confirms Autonomy

[1](#)3. (SBU) The PA's argument is that the very existence of the Paris Protocol, and the fact that Palestinians chose to enter

into the agreement with Israel, confirms the PA's autonomy over external trade policy and the existence of a "separate customs territory." Al-Khatib noted that Israelis and Palestinians agreed to set standards for and cooperate on aspects of the regulation of trade with third parties. He argued that many vital WTO-relevant functions are unrestricted by the Paris Protocol and are left to the full autonomy of the two parties to regulate, such as third country tariffs, sanitary and phyto-sanitary measures, licensing of imports and exports, trade in services, and regulation of trade-related intellectual property rights.

14. (SBU) Al-Khatib said that the concept of a separate customs territory was conceived to ensure that the trading system covers territories that are not states. He cited cases such as Ceylon and Rhodesia as historical examples of colonial administrations on the way to independence, where it was in the interest of the world trading system to ensure that trade was regulated. The PA is no different, he said, and it is clearly in the interest of the U.S. and Israel to facilitate the integration of the Palestinian territories into this system. He stressed the importance of the "promise of accession" as a catalyst for meaningful reform and further liberalization in the Palestinian economy.

PM Fayyad: Focus on Long-Term Prospects

15. (C) The Consul General reiterated the U.S. position to PM Fayyad on October 1. Fayyad responded that close engagement with the WTO is a key part of his institution building efforts and the two-year plan for statehood, but that he

would not allow a situation to develop where the U.S. would be forced to vote against a PA request. He underscored that the PA could not accept less than what it got in 2005 (ad hoc observer status at the Ministerial), and that it was important to remain focused on the long-term prospects for observer status and eventual accession. Fayyad said that Minister of National Economy Bassim Khoury would lead the PA's engagement with the WTO and asked the Consul General to work with Khoury to find a way forward.

Comment

16. (C) Given Fayyad's assurances, we will now press Khoury to scale back the PA's request in Geneva to observer status at the Ministerial (which the PA had in 2005). It is important for the PA (and for our own long-term interest in a prosperous, rule-based, and globally connected Palestinian economy) that the PA's engagement with the WTO not get caught up in the current climate of mistrust between the PA and GOI in other multilateral settings. We recommend continued review of our legal position on the Palestinians' qualification for the WTO, in light of the PA's written response to our concerns. End Comment.
RUBINSTEIN